

Message Text

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ACTION EUR-25

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CINCPAC

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E.O. 11652: N/A

TAGS: ETRD ENRG OVIP UR JA US

SUBJ: POSSIBLE US-SOVIET ENERGY PROJECTS

CINCPAC FOR POLAD

SOFIA FOR UNDER SECRETARY BENNETT

1. SUMMARY: FOLLOWING WERE MAIN POINTS IN MEETING IN MOSCOW
APRIL NINE BETWEEN US TREASURY UNDER SECRETARY JACK BENNETT
AND SOVIET DEPUTY FOREIGN TRADE MINISTER NIKOLAI G. OSIPOV
FOR GENERAL REVIEW OF STATUS OF US-SOVIET NEGOTIATIONS ON
ENERGY PROJECTS: (A) PRIORITY ATTENTION WILL BE GIVEN TO
COMPLETION OF NEGOTIATIONS FOR CREDIT FOR OCCIDENTAL PETROLEUM
FERTILIZER PROJECT; (B) NEGOTIATIONS WILL CONTINUE ON POSSIBLE
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PURCHASE OF US EQUIPMENT FOR NATURAL GAS IN UAKUTIA; (C) OSIPOV

INDICATED THAT SOVIETS HAD TOLD JAPANESE THAT THERE WOULD BE NO OBJECTION TO US EQUIPMENT LOANS FOR CONSTRUCTION OF PIPELINE AND RAILWAY TRANSPORT LINES TO MOVE TYUMEN OIL TO PACIFIC COAST AND ALSO TO US SHARING IN CONTRACTS TO PURCHASE TYUMEN OIL; (D) BOTH US AND USSR WILL EXAMINE POSSIBILITY OF CONVERSION OF URENGOY NATURAL GAS TO METHANOL INSTEAD OF LNG FOR TRANSPORT TO US; (E) IT IS NOW UP TO SOVIETS TO DECIDE WHETHER OR NOT THEY WANT TO ACCEPT PROPOSALS BY US FIRMS FOR PARTICIPATION IN SAKHALIN OFFSHORE OIL AND GAS EXPLORATION. END SUMMARY.

2. DURING DISCUSSION OSIPOV STATED THAT USSR HAS COMPLETELY FULFILLED BOTH QUANTITY AND PRICE TERMS OF ALL CONTRACTS FOR DELIVERY OF OIL AND GAS TO FRG, FINLAND, FRANCE AND ALL OTHER NON-SOCIALIST COUNTRIES. CONTRACTS CONCLUDED IN 1973 ARE BEING FULFILLED AT AGREED PRICES. PRICES FOR NEW CONTRACTS NOW UNDER NEGOTIATION WILL BE HIGHER.

3. OSIPOV SAID THAT TALKS WITH JAPAN FOR AGREEMENT ON EXPLORATION FOR NATURAL GAS IN YAKUTIA NOW NEARING COMPLETION; USSR HOPES THAT AGREEMENT CAN SOON ALSO BE REACHED WITH US SO THAT EXPLORATION CAN BE CONDUCTED JOINTLY. IF US REACHED EARLY FAVORABLE DECISION, EXPLORATION CAN BEGIN THIS YEAR.

4. DISCUSSING TYUMEN OIL AND RECENTLY ANNOUNCED NEW RAILWAY FOR ITS TRANSPORT TO PACIFIC COAST, OSIPOV SAID THAT RAILWAY WILL BE CONSTRUCTED WHETHER OR NOT ASSISTANCE IS RECEIVED FROM FOREIGN COUNTRIES. BY 1981 SOVIETS EXPECT TO MOVE TYUMEN OIL BY PIPELINE FROM TYUMEN TO IRKUTSK (LINE ALREADY BUILT); BY NEW RAILWAY FROM IRKUTSK TO KOMSOMOLSK AND BY NEW PIPELINE FROM KOMSOMOLSK TO NAKHODKA. SOVIETS HAVE INFORMED JAPANESE THAT SOVIETS WOULD HAVE NO OBJECTION TO US PROVISION OF EQUIPMENT FOR THIS TRANSPORT ROUTE AND UNDERSTAND THAT GULF OIL ALREADY ENTERING INTO PRELIMINARY DISCUSSIONS IN TOKYO WHERE SOVIET DELEGATION HEADED BY DEPUTY MINISTER OF FOREIGN TRADE ALKHIMOV AND VNESHTORGBANK CHAIRMAN IVANOV NOW MEETING WITH JAPANESE. GULF NEGOTIATIONS COVER BOTH POSSIBLE PROVISION OF EQUIPMENT AND PURCHASE OF OIL.

5. OSIPOV SAID THAT ESTIMATED COST OF IMPORTED EQUIPMENT FOR LIMITED OFFICIAL USE

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RAILWAY LINE WILL BE TWO BILLION DOLLARS, WITH EXTERNAL CREDIT OF DOLS 400 MILLION FOR CONSUMER GOODS NEEDED TO MEET LOCAL COSTS. SOVIETS WANT TO OBTAIN FROM FOREIGN SOURCES CONSTRUCTION EQUIPMENT, RAILWAY EQUIPMENT (NOT ROLLING STOCK), RAILS, STEEL FORMS. WILL ALSO WANT TO BUY SOME PIPE FOR KOMSOMOLSK-NAKHODKA LINE AND ADDITIONS TO EXISTING TYUMEN-IRKUTSK LINE. ALSO GAS COMPRESSORS.

6. POSSIBLE ADVANTAGES OF METHANOL OVER LNG WERE DISCUSSED,
PARTICULAR FACT THAT NEITHER SPECIAL TYPES OF PIPE NOR HIGH-
PRICED SPECIAL TANKERS NECESSARY FOR ITS TRANSPORT. OSIPOV
CONFIRMED THAT THERE ARE ADEQUATE DEEP-WATER PORTS NORTH OF
URENGOY AND ESTIMATED THAT WITH HELP OF ICE BREAKERS METHANOL
TANKERS--BUT NOT LNG TANKERS--COULD OPERATE DURING WINTER MONTHS.
STOESSEL

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